

PUBLIC DISCLOSURE

April 25, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CAMBRIDGE SAVINGS BANK

17870

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**Federal Deposit Insurance Corporation
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NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **CAMBRIDGE SAVINGS BANK (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **April 25, 2011**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated "OUTSTANDING."

LENDING TEST

The institution's Lending Test performance is rated "High Satisfactory."

- Overall, the Bank's home mortgage and small business lending activity reflects good responsiveness to assessment area credit needs considering the size of the institution, loan portfolio composition, and high level of competition within the Bank's designated assessment area. Within the evaluation period, (full years 2009 and 2010) the Bank originated a total of 1,793 home mortgage loans and 300 small business loans.
- An adequate percentage of home mortgage and small business loans was extended within the assessment area.
- Overall, the geographic distribution of home mortgage and small business loans reflects a good dispersion throughout the assessment area. The geographic distribution of the Bank's home mortgage loans reflects good dispersion throughout the assessment area when compared to assessment area demographics and aggregate lending performance. The geographic distribution of the Bank's small business lending reflects adequate dispersion throughout the Bank's assessment area.
- The distribution of the Bank's home mortgage reflects loans, given the product lines offered, good penetration among customers of different income levels. The distribution of small business loans reflects good penetration among businesses of different sizes. This distribution demonstrates the Bank's commitment to extending credit to borrowers of all income levels, especially those of low- and moderate-income, and to small businesses.

- The Bank exhibited a good record of serving the credit needs of the most economically disadvantaged areas, low-income individuals, and small businesses within its assessment area.
- For the evaluation period, the Bank made a relatively high level of community development loans. During the evaluation period, the Bank originated or renewed 15 qualified community development loans totaling approximately \$17.4 million.
- The Bank made limited use of innovative and flexible credit products to help serve creditworthy individuals and business owners that may not otherwise be able to obtain credit. The programs offered by the Bank demonstrate a commitment to helping provide sustainable homeownership options to low- and moderate-income borrowers, with emphasis on those residing within the Bank's assessment area. The Bank also exhibited a commitment to meeting the credit needs of small businesses by providing loans guaranteed by the Small Business Administration (SBA).

INVESTMENT TEST

The institution's Investment Test performance is rated "Outstanding."

- The Bank's level of qualified equity investment, at approximately \$26.5 million, representing 5.0 percent of the total investment portfolio, is considered excellent.
- The Bank had an excellent level of qualified grants and donations, through the activities of the Bank and its charitable foundation. During the review period, a total of \$1.3 million in grants and donations were made to organizations that focus on affordable housing and community development services to low- and moderate-income individuals within the Bank's assessment area.
- The Bank demonstrated an excellent responsiveness to the community development needs of its assessment area through qualified investments. The Bank's qualified investments are not markedly innovative or complex.

SERVICE TEST

The institution's Service Test performance is rated "Outstanding."

- The Bank's delivery systems are readily accessible to essentially all portions of the assessment area.
- There have been changes in branch locations since the previous evaluation. The changes have not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

- Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The institution is a leader in providing community development services. The Bank helped develop and participated in numerous educational seminars targeting low- and moderate-income borrowers and first-time homebuyers. The Bank's officers and employees have also helped address community needs through their involvement in various community organizations.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS Cambridge Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Satisfactory**			
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

**Note: FDIC rules and regulations stipulate use of a high satisfactory and low satisfactory rating for the three tests. For purposes of this jointly issued public evaluation, the term "satisfactory" will be used in lieu of the "low satisfactory" rating for the lending, investment, and service test ratings

PERFORMANCE CONTEXT

Description of Institution

Cambridge Savings Bank is a mutual savings bank headquartered in Cambridge, Massachusetts. The main office is located at 1374 Massachusetts Avenue in the Harvard Square section of Cambridge. The Bank is a subsidiary of the Cambridge Financial Group, a mutual holding company that was formed in September 1998.

The Bank maintains 15 full-service branch offices located throughout the Boston/Cambridge/Quincy-MA NH Metropolitan Statistical Area ("MSA"). The branches are located in the Cities and Towns of Acton, Arlington, Bedford, Belmont, Burlington, Cambridge, Concord, Lexington, Newton, and Watertown.

Cambridge Savings Bank offers a variety of consumer and commercial services. The Bank offers numerous loan products, including adjustable- and fixed-rate residential mortgage loans, home equity loans and lines of credit, home improvement loans, personal secured and unsecured loans, personal lines of credit, government loans, overdraft protection lines of credit, construction loans, educational loans, new and used automobile loans, passbook collateral loans, small business loans and lines of credit, commercial and industrial loans and lines, commercial real estate loans, and consumer and business credit cards.

As of March 31, 2011, the Bank's assets totaled approximately \$2.2 billion. Total loans as of this date were \$1.4 billion, or 65.8 percent of total assets. While the Bank continues to be primarily a residential real estate lender, it diversified its portfolio since the previous examination, when 66.3 percent of the portfolio was comprised of 1-4 family residential loans. Currently, residential loans secured by 1-4 family properties represent 47.4 percent of the portfolio, loans secured by multi-family residential properties account for 6.4 percent. Commercial real estate lending represents the next highest portion of the Bank's portfolio, at 37.0 percent. Please refer to Table 1 for additional information regarding the composition of the Bank's loan portfolio.

Table 1		
Loan Distribution as of March 31, 2011		
<i>Loan Type</i>	<i>Dollar Amount \$(000)</i>	<i>Percent (%)</i>
Loans Secured by real estate:		
Construction and Land Development	102,250	7.12
Revolving, open-end 1-4 Family Residential	67,011	4.67
1-4 Family Residential (secured by first lien)	582,300	40.55
1-4 Family Residential (secured by second lien)	31,543	2.20
Multi-Family (5 or more) Residential	65,354	4.55
Commercial	530,972	37.00
<i>Total Real Estate Loans</i>	<i>1,379,430</i>	<i>96.09</i>
Commercial and Industrial Loans	55,316	3.85
Consumer Loans	1,215	0.06
Other Loans	46	0.00
<i>Total Gross Loans</i>	<i>\$1,436,007</i>	<i>100.00</i>

Source: Report of Condition FDIC Call Report

The Bank was last examined for compliance with the CRA on August 20, 2007 by the FDIC and the Division. A CRA rating of “Satisfactory” was assigned by the FDIC. The Bank’s CRA performance was deemed “High Satisfactory” by the Division.

The Bank operates in a highly competitive environment. There are no apparent financial or legal impediments that would limit the Bank’s ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires financial institutions to define a specific assessment area or areas within which they will concentrate their lending efforts. The Division and the FDIC evaluate an institution’s CRA performance within one or more defined assessment areas. Assessment areas are expected to consist of MSAs, Metropolitan Divisions (MDs), or contiguous political subdivisions, such as counties, cities, towns, or census tracts. The Bank’s assessment area, as currently defined, meets the technical requirements of the regulation, as it is made up of whole geographies and does not arbitrarily exclude low- or moderate-income areas.

Cambridge Saving Bank has not changed its assessment area since the previous joint evaluation, dated August 20, 2007. Cambridge Savings Bank’s assessment area consists of the following municipalities: Acton, Arlington, Bedford, Belmont, Brookline, Burlington, Cambridge, Concord, Lexington, Lincoln, Medford, Newton, Somerville, Waltham, Watertown, Winchester, and Woburn. All of these municipalities, with the exception of Brookline, are located within Middlesex County, in the Cambridge-Newton-Framingham, Massachusetts MD. Brookline is in Norfolk County and is part of the Boston-Quincy, MA MD. These 17 municipalities are part of the Boston-Cambridge-Quincy, MA-New Hampshire MSA/Core Based Statistical Area (CBSA)

Census Tract Income Levels

Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

Low-income:	Less than 50% MFI
Moderate-income:	At least 50% but less than 80% of MFI
Middle-income:	At least 80% but less than 120% of MFI
Upper-income:	Equal to or greater than 120% of MFI

The Bank’s assessment area comprises 153 census tracts. Of these, 3 are low-income; 35 are moderate-income; 62 are middle-income; and 53 are upper-income census tracts. The 3 low-income census tracts are located in Cambridge. Of the 35 moderate-income tracts, 10 are located in Cambridge; 1 in Lincoln; 5 in Medford; 11 in Somerville; 5 in Waltham; 1 in Watertown; and 2 in Woburn.

Median Family Income Levels

The home mortgage lending portion of the Borrower Characteristics section of the Lending Test is focused on the distribution of home mortgage loans to borrowers of different incomes, especially to those of low- and moderate-income. Income levels are broken down into the same four categories as described above (low-, moderate-, middle-, and upper-); however, this analysis is based on the annual HUD-adjusted MFI for each applicable MSA/MD. The MFIs are based on 2000 United States (U.S.) Census data and have been annually adjusted for inflation and other economic events. The MFI for the assessment area, as indicated by 2000 U.S. Census data, is \$68,120. Using data collected during the 2000 Census, the weighted average of the HUD updated MFI for the Cambridge-Newton-Framingham, MA MD was \$97,100 in 2009 and \$98,700 in 2010. The updated MFI for Boston-Quincy, MA MD was \$83,900 in 2009 and \$85,200 in 2010.

Population

According to 2000 U.S. Census data, the total population of the assessment area is 703,603. The assessment area further comprises 282,579 households, of which 162,953 are families. Those with income below the poverty level, a sub-set of low-income families, represent 4.14 percent of total families. Table 2 shows the distribution of families by income level.

Table 2		
Number and Percentage of Families by Income Level		
Income Category	2000 Census	
	Number of Families	% of Total Families
Low-Income	30,555	18.75
Moderate-Income	27,209	16.70
Middle-Income	33,384	20.49
Upper-Income	71,805	44.06
Total	162,953	100.00

Source: 2000 U.S. Census Data.

Providing further insight into the demographic composition of the assessment area population is the stratification of families by income level of census tract. Of total assessment area families, the majority reside in middle-income census tracts (40.38 percent); whereas less than 1 percent reside in low-, 20.34 percent in moderate-, and 38.44 percent reside in upper-income tracts.

Housing

According to 2000 U.S. Census data, the assessment area contains 291,480 housing units, of which 151,335, or 51.92 percent, are owner-occupied, and 131,220, or 45.02 percent, are occupied rental units. The vacancy rate throughout the assessment area is 2.96 percent. Combined, a substantial majority (85.87 percent) of the assessment area's owner-occupied housing units are located within middle- and upper-income census tracts, representing 42.00 percent and 43.87 percent, respectively. Furthermore, of the 3,090 housing units located in low-income tracts, 380 (0.25 percent) are owner-occupied, and 2,654 (2.02 percent) are rental units. Within moderate-income tracts, 21,007 (13.88 percent) are owner-occupied, and 44,018 (33.55 percent) are rental units. The data suggest that lending opportunities are somewhat limited within low- and moderate-income tracts of the assessment area.

The median age of housing stock is 53 years, while the median housing value is \$348,482, and the median monthly gross rent is \$992.

Table 3 illustrates certain housing characteristics within the Bank's designated assessment area based on 2000 U.S. Census data.

Table 3								
Housing Characteristics by Income Category of the Geography								
Income Level of Census Tract	Percentage					Median		
	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	Age	Home Value	Gross Rent
Low	1.05	1.06	0.25	2.02	0.65	51	\$276,981	\$841
Moderate	23.01	23.06	13.88	33.55	24.72	55	\$236,688	\$844
Middle	41.31	41.27	42.00	40.46	40.66	48	\$264,509	\$1,002
Upper	34.63	34.61	43.87	23.97	33.97	49	\$439,777	\$1,194
Total or Median	100.00	100.00	100.00	100.00	100.00	49	\$348,482	\$992

Source: 2000 U.S. Census Data

More recent housing data obtained from The Warren Group, publishers of Banker's and Tradesman, reflect a substantially higher range of home values. Table 4 summarizes median sales prices for the cities and towns located within the assessment area in 2009 and 2010.

Table 4		
Median Home Sales Prices – Assessment Area Municipalities		
City / Town	2009	2010
Acton	\$436,250	\$451,000
Arlington	\$426,500	\$469,000
Bedford	\$488,750	\$498,501
Belmont	\$574,000	\$602,750
Brookline	\$375,000	\$387,500
Burlington	\$525,000	\$565,000
Cambridge	\$432,500	\$459,000
Concord	\$610,000	\$617,750
Lexington	\$605,000	\$667,300
Lincoln	\$670,000	\$710,175
Medford	\$325,000	\$338,750
Newton	\$615,00	\$610,000
Somerville	\$392,500	\$390,000
Waltham	\$350,000	\$359,000
Watertown	\$361,600	\$353,000
Winchester	\$600,000	\$650,000
Woburn	\$310,000	\$312,000

Source: The Warren Group

The Warren Group data indicate that the area's median home sales prices for 2010 ranged from a low of \$312,000 in Woburn to a high of \$710,175 in Lincoln. Most Massachusetts communities have seen yearly median price declines since 2007, which can be attributed to the soft housing market and weakened economic conditions. Nonetheless, the assessment area communities had median sales prices over \$300,000. The data demonstrates the affluent nature of the assessment area and exhibits the need for

affordable housing opportunities. It also suggests that low- and moderate-income individuals may have difficulty obtaining a home and qualifying for conventional financing.

Unemployment

The U.S. Bureau of Labor Statistics (www.bls.gov) indicated that Massachusetts had an unemployment rate of 8.2 percent in 2009, with a slight increase in 2010 to 8.5 percent. The national unemployment rates were 9.3 percent in 2009 and 9.6 percent in 2010. Additionally, according to the Massachusetts Executive Office of Labor and Workforce Development (www.mass.gov), the unemployment rates for the Boston-Cambridge-Quincy, MA-NH Metropolitan Area, were 7.6 percent in 2009 and 7.7 percent in 2010; lower than both the State and U.S. figures for both years. Furthermore, at a county level, the unemployment rate for Middlesex County for 2009 and 2010 was 7.0 percent, while the unemployment rates for Norfolk County were 7.4 percent and 7.6 percent, respectively. Again, these figures are lower than both the State and U.S. unemployment figures. While the unemployment rates at both the county and State levels have remained relatively steady, it is still a sign of a weak labor market and could be a factor in the demand for home mortgage loans.

Competition

Aggregate lender performance for 2009 indicates that among 454 lenders in the assessment area, the Bank ranked 21st, capturing 1.33 percent of the market share in total mortgage loans originated or purchased within its assessment area. Bank of America, N.A. ranked 1st in market share with 10.60 percent, followed by JP Morgan Chase Bank, NA with 7.41 percent.

Business Demographics

According to 2009 Dun & Bradstreet business geodemographic data, there were 71,888 non-farm businesses located in the Bank's assessment area, representing 98.88 percent of total businesses. A majority of non-farm businesses (73.67 percent) within the assessment area have gross annual revenues (GAR) of \$1 million or less. A fair percentage of total non-farm businesses (19.92 percent) did not report revenues. The remainder of businesses had GAR greater than \$1 million. Of total non-farm businesses, 1.83 percent are located in low-income census tracts; 16.80 percent in moderate-income; 42.16 percent in middle-income; and 39.21 percent are in upper-income census tracts. The highest proportion of these businesses is engaged in the services and in retail trade industries. In terms of employees, 66.42 percent of the area's businesses employ four or fewer people.

Local Economic Conditions

The greater Boston area has over 68 colleges and universities. Other areas have a diversified group of employees in health care, financial services, education, defense and manufacturing sectors. The recession in the State appears to be moderating, and job losses appear to be concentrated primarily in the services industry. According to the Massachusetts Association of Realtors, sales of existing single-family homes were down even though home prices are more affordable. This decrease in home sales may be attributed to the expiration of the homebuyer tax credit program in April 2010.

Community Contacts

As part of the evaluation process, a third-party, active in community affairs, was contacted to assist in assessing the housing and business needs of the Bank's assessment area. Relevant information from this contact assisted in determining whether local financial institutions are responsive to the credit needs of the community, and what further opportunities, if any, are available.

A community contact was conducted with a local non-profit organization in Cambridge, Massachusetts. This organization is dedicated to developing affordable rental and ownership housing, and providing mediation services to landlords and tenants. The contact stressed the need for long-term affordable housing, noting the relatively high prices of single family homes. The contact specifically mentioned that local banks, including Cambridge Savings Bank, were active in the community and contributed to the organization's efforts by investing in Low Income Housing Tax Credits.

Another contact was made with a community development office within the City of Cambridge. The contact is responsible for promoting thriving commercial districts, cultivating a supportive environment for women and minority-owned small businesses, and maintaining a supportive business climate. The contact indicated that local banks are actively involved in the commercial aspects of local community initiatives.

A third contact was conducted with an organization that promotes small business development in the Cambridge community. This contact also stated that Cambridge Savings Bank, as well as other local financial institutions were active in the community and area and provided much needed support to the organization.

SCOPE OF EVALUATION

This evaluation was conducted jointly by the Division and FDIC using Large Bank examination procedures. These procedures include three performance tests: the Lending, Investment, and Service Tests. The data and applicable timeframes utilized for the three tests are discussed below. A review of the Division's and FDIC's records, as well as the Bank's Public CRA File did not reveal any complaints relating to the Bank's CRA performance since the prior evaluation.

A review of the Bank's loan portfolio composition indicated that its primary lending focus is home mortgage lending; however, the Bank is also an active commercial lender. Consumer loans represent a very small portion of the Bank's loan portfolio and the Bank did not originate any small farm loans; therefore, neither portfolio was considered in the evaluation. Based on the Bank's lending activity, the focus of this evaluation is home mortgage and commercial lending activities, with slightly more weight given to home mortgage lending.

The Lending Test includes analyses of the Bank's home mortgage and small business lending data for full years 2009 and 2010. Information concerning home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancings, of 1-4 family and multi-family (five or more units) properties. Information concerning small business lending was derived from the Bank's small business loan registers. The registers contain information on originated commercial real estate and commercial and industrial loans with original balances of \$1 million or less.

Home mortgage lending data for 2009 and 2010 is presented in the tables within the Geographic Distribution and Borrower Characteristics sections. The Bank's lending performance was compared to the 2009 aggregate lending data. The aggregate data include lending information from all HMDA reporters that originated loans in the Bank's assessment area.

Small business lending data for 2009 and 2010 is presented in the tables addressing Geographic Distribution and Borrower Characteristics sections. Again, the Bank's performance is based primarily on 2009 and 2010 data, and was compared with the 2009 aggregate small business lending data.

The analysis of the Bank's Community Development Lending and Innovative or Flexible Lending Practices includes all activity from the prior examination, dated August 20, 2007, through the current examination.

The Investment Test includes an analysis of qualified investments the Bank made from August 20, 2007, through April 25, 2011, as well as investments currently held by the Bank that were made prior to August 20, 2007. The Service Test includes an analysis of the Bank's retail and community development services offered from August 20, 2007 through April 25, 2011.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the Bank's March 31, 2011 Call Report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's overall Lending Test performance is rated "High Satisfactory."

The institution's lending efforts are rated under the following performance criteria: Lending Activity, Assessment Area Concentration, Geographic Distribution, Borrower Characteristics, Response to Credit Needs, Community Development Lending, and Innovative or Flexible Lending Practices. The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance. Please note that, although both the number and dollar volume of the Bank's loans were reviewed, the number of originations was weighed more heavily than the dollar volume, as the number of loans has a more direct correlation to the number of borrowers served.

I. Lending Activity

Cambridge Savings Bank's lending activity reflects good responsiveness to the credit needs of the assessment area, considering the size of the institution, loan portfolio composition, and the significant level of competition within the assessment area.

Examiners reviewed the Bank's loan-to-deposit (LTD) ratio, lending volume, and competition within the assessment area to analyze the Bank's lending levels. Although an analysis of the Bank's LTD ratios is not part of the Lending Test under Large Bank CRA performance criteria, it provides an additional and valuable tool in assessing the Bank's volume and level of lending relative to the credit needs in the assessment area. The Bank's LTD ratio is reasonable, considering the size of the institution, the financial condition of the Bank, and assessment area credit needs. Cambridge Savings Bank's average net LTD ratio over the 14 quarters since the prior CRA evaluation is 85.73 percent. This is a slight increase from the average LTD ratio of 84.7 percent calculated at the last evaluation. The Bank's quarterly LTD ratio fluctuated over the period hitting a high of 92.39 percent as of December 31, 2008, and a low of 77.25 percent as of December 31, 2010. According to management, fluctuations in the Bank's LTD during the period can be attributed to the Bank's practice of selling loans on the secondary market. From January 2008 to December 2010, the Bank sold 1,438 loans totaling almost \$383 million.

As previously discussed, the Bank's loan portfolio is closely distributed among home mortgage loans (47.4 percent) and commercial loans (40.8 percent). From 2009 to 2010, the Bank originated a total of 1,793 home mortgage loans and 300 small business loans. Cambridge Savings Bank operates in an extremely competitive lending market. There were 454 financial institutions that originated home mortgage loans and 105 lenders that originated small business loans within the Bank's assessment area. These financial institutions include other local banks, mortgage companies, and credit unions. Additionally, larger regional and national banks have a presence within the Bank's assessment area and contribute to the high level of competition.

Overall, the Bank's lending activity during the evaluation period reflects good responsiveness to the credit needs of the assessment area.

II. Assessment Area Concentration

This performance criterion measures the percentage of the Bank's lending that benefits assessment area residents and businesses and evaluates the adequacy of such lending. Overall, an adequate percentage of home mortgage and small business loans were made inside the Bank's assessment area. The two product lines are discussed separately below.

Home Mortgage Lending

Table 5 illustrates the institution's record of home mortgage lending inside and outside the assessment area in 2009 and 2010. As illustrated in Table 5, during the evaluation period, Cambridge Savings Bank originated 63.97 percent by number and 64.12 percent by dollar volume of its residential mortgage loans within its assessment area.

The Bank originated a total of 970 home mortgage loans in 2009. Of these loans, 617 were originated within the Bank's assessment area, representing 63.61 percent by number and 61.96 percent by dollar volume. In 2010, the Bank originated 823 home mortgage loans of which 64.40 percent by number and 66.24 percent by dollar volume was originated within the Bank's assessment area.

Table 5 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	\$
2009										
Home Purchase	152	69.09	68	30.91	220	41,416	64.16	23,139	35.84	64,555
Home Improvement	62	60.78	40	39.22	102	15,646	63.34	9,056	36.66	24,702
Refinance	403	62.19	245	37.81	648	118,270	61.05	75,443	38.95	193,713
Total	617	63.61	353	36.39	970	175,332	61.96	107,638	38.04	282,970
2010										
Home Purchase	107	56.61	82	43.39	189	52,705	64.18	29,415	35.82	82,120
Home Improvement	59	67.05	29	32.95	88	16,384	75.69	5,263	24.31	21,647
Refinance	364	66.67	182	33.33	546	122,429	66.05	62,938	33.95	185,367
Total	530	64.40	293	35.60	823	191,518	66.24	97,616	33.76	289,134
Total Home Loans	1,147	63.97	646	36.03	1,793	366,850	64.12	205,254	35.88	572,104
Small Business 2009	113	74.34	39	25.66	152	17,710	56.27	13,762	43.73	31,472
Small Business 2010	99	66.89	49	33.11	148	20,501	48.37	21,881	51.63	42,382
Total Small Business Loans	212	70.67	88	29.33	300	38,211	51.74	35,643	48.26	73,854
Grand Total	1,359	64.93	734	35.07	2,093	405,061	62.71	240,897	37.29	645,958

Source: 2009 and 2010 HMDA LARs and 2009 and 2010 Small Business Loan Registers

Table 5 also shows the composition of loans inside and outside the assessment area by purpose. No significant differences exist in the composition of loans by purpose. The Bank's concentration of home mortgage loans inside its assessment area is adequate given the high level of competition. As noted within the "Description of the Assessment

Area” section, in 2009, lenders subject to HMDA reported 46,486 mortgage loans within the Bank’s assessment area. Cambridge Savings Bank was ranked 21st out of 454 lenders with a market share of 1.33 percent. Most of the financial institutions ranking higher than Cambridge Savings Bank were large national banks such as Bank of America, N.A., and JP Morgan Chase Bank, N.A., as well as national mortgage lenders such as Mortgage Master, Inc., and Citimortgage, Inc. There were no local banks ranked higher than Cambridge Savings Bank.

Small Business Lending

Table 5 also illustrates the institution’s record of small business lending inside and outside the assessment area in 2009 and 2010. For the evaluation period, 70.67 percent of all small business loans, by number, were originated inside the assessment area. In 2009, the Bank originated 74.34 percent of loans by number and 56.27 percent by dollar amount within the assessment area. The percentages for both the number of loans and the dollar amount decreased in 2010 to 66.89 percent and 48.37 percent, respectively. The decline was attributed primarily to local economic conditions and competition. Overall, Cambridge Savings Bank originated an adequate percentage of small business loans in its assessment area.

There were 105 lenders that reported small business loan originations in Middlesex and Norfolk Counties for 2009. Cambridge Savings Bank was ranked 26th, with a market share of 0.29 percent (by number), and 1.46 percent (by dollar amount). Aggregate small business data is reported on a county level; therefore, market share data is skewed when analyzing performance within the assessment area. As a result, the Bank’s market share is reflective of its performance in Middlesex and Norfolk Counties, and not on its performance within its defined assessment area.

It should be noted that small business loan aggregate data includes small business lenders such as American Express Bank, FSB; GE Money Bank; Chase Bank USA, NA; and CitiBank (South Dakota), NA, that originate a significant number of loans, generally in relatively small dollar amounts, through small business credit card lending. It is difficult for smaller community banks to compete with this activity. While the small business lenders previously mentioned had an average loan size of less than \$10,000, the Bank’s average loan size to small businesses was \$169,000 in 2009. The data demonstrates the Bank’s support of small businesses located within its assessment area; however, there was a declining trend. The decline was attributed to local economic conditions and competition.

Overall, the Bank’s performance relative to this component is adequate, with an adequate percentage of home mortgage and small business loans originated in its delineated assessment area.

III. Geographic Distribution

The geographic distribution of loans was reviewed to assess the Bank’s performance in addressing credit needs throughout its assessment area. The primary focus of this analysis was placed on lending in low- and moderate-income census tracts. Overall, the geographic distribution of home mortgage and small business loans reflects a good dispersion throughout the assessment area.

Home Mortgage Lending

This analysis includes comparisons of the distribution of residential mortgage loans among the area's various tracts to the percentage of total owner-occupied housing units, as well as a comparison to aggregate performance. The geographic distribution of the Bank's home mortgage lending reflects a good dispersion throughout the assessment area.

Although the geographic distribution of home mortgage loans is considered good, there were census tracts where the Bank did not originate any loans. In 2009, within the 153 census tracts, the Bank did not originate any loans in 1 out of the 3 low-income census tracts and 11 out of the 35 moderate-income census tracts. Loan penetration remained generally consistent in 2010 when there was no lending activity in 1 low-income census tract and 12 moderate-income census tracts. The lack of lending in these low- and moderate-income census tracts was generally mitigated by, and attributable to, a lack of lending opportunities. The low percentage (8.95 percent) of owner-occupied housing within the low-income census tract where there was no lending is a mitigating factor. Demographic data also suggest that there is a high percentage of low-income families residing within this tract. The weighted average of median family income of the tract is \$35,313. These families are presumably less likely to be able to afford to buy a home considering the high prices within the assessment area.

Table 6 contains a summary of the Bank's 2009 and 2010 home mortgage lending activity by loan category and percentage of loans within each of the income tract categories. In addition, the table also compares the Bank's 2009 performance against the aggregate market data. As previously noted, aggregate lending data was not available for 2010.

Table 6						
Distribution of Home Mortgage Loans by Income Category of Census Tract						
Census Tract Income Level	% of Owner-Occupied Housing Units	2009 Aggregate Data	2009 Bank Data		2010 Bank Data	
		% of #	#	% of #	#	% of #
Low	0.25	0.37	15	2.43	5	0.94
Moderate	13.88	13.20	100	16.21	69	13.02
Middle	42.00	40.83	250	40.52	209	39.44
Upper	43.87	45.60	252	40.84	247	46.60
Total	100.00	100.00	617	100.00	530	100.00

Source: 2000 U.S. Census, 2009 Aggregate HMDA Data, 2009 and 2010 HMDA LARs.

As indicated by Table 6, in 2009, the Bank originated 15 loans, or 2.43 percent of all home mortgage loans originated in the assessment area's low-income census tracts. A review of demographics revealed that only 0.25 percent of the housing units in low-income census tracts are owner-occupied, which significantly limits a bank's ability to lend, especially in light of the competition in the area. The Bank's performance in 2009 exceeded the aggregate market performance of 0.37 percent.

The Bank originated 100 loans, or 16.21 percent, in moderate-income census tracts in 2009. The Bank's performance exceeded the aggregate percentage of 13.20, and also exceeded the percentage of owner-occupied units in those tracts. The Bank's performance in moderate-income tracts decreased in 2010, where 69 loans or 13.02 percent were originated.

According to Bank management, the decline in 2010 of the Bank's lending in low- and moderate-income census tracts is attributable to an overall decrease in loan applications and tightened investor guidelines. Also contributing to the decline was the local economy and competition from other financial institutions.

A market share analysis for 2009 was also performed on residential loan originations in the low- and moderate-income census tracts to determine how the Bank compared in market share ranking. As discussed above, 454 lenders originated at least one loan within the Bank's assessment area. Of the lenders that originated loans in the low-income census tracts in 2009, Cambridge Savings Bank ranked 3rd with 9.26 percent of the market share. Within moderate-income census tracts, the Bank ranked 17th while capturing 1.62 percent of the market share. No other local banks ranked higher than Cambridge Savings Bank in residential loan origination in low- and moderate-income census tracts.

Considering the limited lending opportunities in low- and moderate-income census tracts, as well as the number of lenders competing for the small share of loans in those tracts, the Bank's overall performance, as it relates to the geographic distribution of the loans it originated in 2009 and 2010, reflects a good dispersion throughout its assessment area.

Small Business Lending

The geographic distribution of the Bank's small business lending reflects an adequate dispersion throughout the assessment area. As shown in Table 7, Cambridge Savings Bank made 2 loans or 1.77 percent of all small business loans in low-income census tracts in 2009. This percentage is lower than the percentage of total businesses in low-income census tracts (1.83 percent), but higher than the aggregate market performance (1.40 percent). In 2010, the Bank originated one small business loan in a low-income census tract.

Table 7						
Distribution of Small Business Loans by Income Category of Census Tract						
Census Tract Income Level	% Total Businesses	2009 Aggregate Data	2009 Bank Data		2010 Bank Data	
		% of #	#	% of #	#	% of #
Low	1.83	1.40	2	1.77	1	1.01
Moderate	16.80	14.52	16	14.16	21	21.21
Middle	42.16	42.85	54	47.79	35	35.35
Upper	39.21	41.23	41	36.28	42	42.42
Total	100.00	100.00	113	100.00	99	100.00

Source: 2000 U.S. Census, 2009 Aggregate CRA Data, 2009 and 2010 Small Business Loan Registers

In the moderate-income census tracts, the Bank's 14.16 percent lending in 2009 is on par with the aggregate market's 14.52 percent, but lower than the percentage of businesses in moderate-income census tracts (16.80 percent). The percentage of the Bank's lending to small businesses located in moderate-income census tracts increased in 2010 to 21.21 percent. This percentage is higher than the percentage of small businesses located in moderate-income census tracts.

Cambridge Savings Bank's overall performance under this lending test criterion indicates a good dispersion of HMDA loans and an adequate dispersion of small business loans. As discussed previously, low- and moderate-income tracts have limited opportunities for mortgage and small business lending with significant competition from local and national lenders. As previously stated, the market share represents all small business loan activity throughout Middlesex and Norfolk Counties, which is significantly larger than the Bank's assessment area.

IV. Borrower Characteristics

The distribution of loans classified by borrower income and business revenue was reviewed to determine the extent to which the Bank is addressing the credit needs of its assessment area residents and small business customers. The overall distribution of loans, given the demographics of the assessment area, reflects a good penetration among individuals of different income levels and businesses of different sizes.

Home Mortgage Lending

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels. Table 8 illustrates the distribution of the Bank's home mortgage loans by borrower income level for 2009 and 2010. For comparison purposes, the table includes the percentage of total families by income level and the aggregate lending data for 2009.

Table 8						
Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Total Families	2009 Aggregate Data	2009 Bank Data		2010 Bank Data	
		% of #	#	% of #	#	% of #
Low	18.75	4.52	42	6.81	16	3.02
Moderate	16.70	14.76	104	16.86	64	12.08
Middle	20.49	26.14	142	23.01	106	20.00
Upper	44.06	52.16	328	53.16	332	62.64
NA	0.00	2.42	1	0.16	12	2.26
Total	100.00	100.0	617	100.00	530	100.00

Source: 2000 U.S. Census, 2009 Aggregate HMDA Data, 2009 and 2010 HMDA LARs.

As shown in Table 8 above, Cambridge Savings Bank made 6.81 percent of all home mortgage loans (by number) to low-income borrowers in 2009. This percentage is more than the aggregate, but is far less than the 18.75 percent of total assessment area families that are low-income. However, it is not expected that the Bank would match the percentage of low-income families, as a large portion of these families would not likely

qualify for home mortgage loans. In 2010, the Bank's performance of lending to low-income borrowers decreased to 3.02 percent. According to Bank management, this decline is attributable to an overall decrease in loan applications and tightened investor guidelines. Additionally, local economic conditions and competition also contributed to the decline.

In the moderate-income census tracts, the Bank's 16.86 percent in 2009 was more than the aggregate lending performance of 14.76 percent and the percentage of moderate-income families (16.70 percent). The Bank's performance in 2010 is lower than its 2009 performance. In 2010, the Bank made 12.08 percent of all home mortgage loans (by number) to moderate-income borrowers. Overall, this data indicates that the Bank continues to lend to low- and moderate-income borrowers. The 2009 market rank report also demonstrates the Bank's good performance in lending to low- and moderate-income borrowers in its assessment area. In 2009, the Bank ranked 9th in lending to low-income borrowers and 16th in lending to moderate-income borrowers. There were no local banks that were ranked higher than Cambridge Savings Bank in lending to low- and moderate-income borrowers.

It is noted that many low-income families would not qualify for a mortgage given the high home prices in the assessment area. As discussed previously, the vast majority of assessment area communities had median sales prices above \$300,000 in 2009 and 2010.

Small Business Lending

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among businesses of different sizes. Emphasis is placed on loans to small businesses, or those with GAR of \$1 million or less. Table 9 depicts the Bank's small business lending performance by size of the business for 2009 and 2010. The table includes the distribution of businesses in the assessment area and 2009 aggregate data.

Table 9						
Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	% Non-Farm Businesses	2009 Aggregate Data	2009 Bank Data		2010 Bank Data	
		% of #	#	% of #	#	% of #
≤ \$1,000	73.67	25.08	81	71.68	63	63.64
>\$1,000 or NA	26.33	74.92	32	28.32	36	36.36
Total	100.00	100.00	113	100.00	99	100.00

Source: Dun & Bradstreet, 2009 Aggregate CRA Data, 2009 and 2010 Small Business Loan Registers

In 2009, Cambridge Savings Bank made 71.68 percent of small business loans by number to businesses with GAR of \$1 million or less. This figure significantly exceeds the aggregate market performance of 25.08 percent. Despite a decrease in 2010 to 63.64 percent, the Bank's performance remains good and reflects the Bank's willingness to meet the credit needs of small businesses within its assessment area.

In a further effort to determine the Bank's success in originating small business loans to small businesses, an analysis of origination activity by loan amount was performed. As illustrated in Table 10, 68.14 percent of small business loans originated by the Bank inside the assessment area in 2009 were in amounts of \$100,000 or less. This percentage is considerably lower than the aggregate market performance of 93.10 percent; however, the aggregate market data is skewed by large financial institutions that issue business purpose credit cards.

Table 10					
Distribution of Small Business Loans by Loan Size					
Loan Size (000s)	2009 Aggregate Data	2009 Bank Data		2010 Bank Data	
	% of #	#	% of #	#	% of #
≤ \$100	93.10	77	68.14	55	55.56
> \$100 ≤ \$250	3.14	16	14.16	22	22.22
> \$250 ≤ \$1,000	3.75	20	17.70	22	22.22
Total	100.00	113	100.00	99	100.00

Source: Dun & Bradstreet, 2009 Aggregate CRA Data, 2009 and 2010 Small Business Loan Registers.

The Bank's lending in amounts of \$100,000 or less declined from 2009 to 2010. In 2010, the Bank originated 55.56 percent of small business loans in amounts of \$100,000 or less. Although lower than the previous year, the Bank's performance of originating loans equal to or less than \$100,000 is still considered good.

V. Responsiveness to Credit Needs of Highly Disadvantaged Areas, Individuals, and/or Businesses

The Bank exhibited a good record of serving the credit needs of the most economically disadvantaged area(s) of its assessment area(s), low-income individuals, and very small businesses, consistent with safe and sound business practices.

VI. Community Development Lending

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing small businesses or small farms; or activities that revitalize or stabilize low- and moderate-income geographies. Furthermore, the loan must benefit the bank's assessment area or a broader statewide area that also includes the assessment area. Loans required to be reported as home mortgage loans or small business loans cannot also be reported as community development loans unless the loan is for a multi-family dwelling (five or more units), meets a community development definition, and benefits the Bank's assessment area or a broader statewide area that includes the assessment area.

The institution's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending.

Cambridge Savings Bank made a relatively high level of community development loans. During the evaluation period, the Bank made or renewed 15 community development loans totaling \$17,399,507 to various organizations throughout the assessment area to help support affordable housing and community service initiatives. Table 11 illustrates the Bank's qualified community development loans targeted to low- and moderate-income individuals or areas by year, amount, and purpose.

Table 11										
Qualified Community Development Loans \$(‘000s)										
Community Development Category	2008		2009		2010		2011 (Jan - Mar)		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing	1	900	2	1,100	3	4,015	1	370	7	6,385
Community Services	-	-	2	490	2	1,365	1	60	5	1,915
Promoting Economic Development	-	-	-	-	-	-	-	-	-	-
Revitalization	1	1,000	1	8,000	1	100	-	-	3	9,100
Total	2	1,900	5	9,590	6	5,480	2	430	15	17,400

Source: 2008, 2009 and 2010 Bank Data

The following are examples of the Bank's community development lending activity during each year under review.

2011 (January through March)

- The Bank originated a loan of \$370,000 to a non-profit organization for improvements to a 6 unit affordable housing apartment building.

2010

- The Bank originated a \$2.5 million loan to a motel operator. All 55 rooms in the motel are currently used to support the State's transitional assistance program.
- The Bank provided a \$1.2 million line of credit to a non-profit community health center. The community health center provides primary care services, specialty services, health education, dental and eye clinics, behavioral health and pharmacy services. 92 percent of the center's clientele live at or below 200 percent of the federal poverty level.
- A \$764,507 equity bridge loan was extended to a local non-profit organization for an affordable housing project. All 19 units are affordable housing designed for low- or – moderate-income individuals or families.

- The Bank made a \$750,000 line of credit to a non-profit organization to fund the acquisition and renovation of properties to be used as transitional housing for low- and moderate-income individuals.
- The Bank renewed a \$165,000 line of credit to a non-profit organization. The mission of the organization is to prevent further HIV infection through outreach and education. The organization also provides quality care and services to people living with HIV infection. The vast majority of the people served by this organization are homeless and recovering from substance abuse.

2009

- The Bank extended a \$600,000 loan to a housing corporation for the acquisition and renovation of two multi-family affordable housing properties.
- A \$500,000 loan was originated to a non-profit organization dedicated to providing affordable housing in Cambridge. The purpose of the loan was to fund the acquisition and renovation of a residential property with affordable housing units.

At the last evaluation, Cambridge Savings Bank made 10 qualified community development loans totaling \$7,687,000. Despite the downturn in the economy, Cambridge Savings Bank increased the number and amount of its qualified community development loans. The Bank's overall community development lending reflects a relatively high level of performance in meeting the credit needs to support community development activities within the assessment area.

VI Innovative or Flexible Lending Practices

This section of the Lending Test includes all innovative and flexible lending programs and activity from August 20, 2007, through April 25, 2010. Cambridge Savings Bank makes limited use of innovative and flexible credit products to help serve creditworthy individuals and business owners that may not otherwise be able to obtain credit. The programs offered by the Bank demonstrate a commitment to provide sustainable homeownership options to low- and moderate-income borrowers, with emphasis on those residing within the Bank's assessment area. The Bank also exhibited a commitment to meet the credit needs of small businesses through providing loans guaranteed by the Small Business Administration (SBA).

Cambridge Savings Bank's innovative and flexible lending practices are evaluated pursuant to the following criteria:

- Degree to which lending activity serves low- and moderate-income borrowers in innovative ways or assists groups of consumers not previously served by the institution; and,
- The success of each product in serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the examination period.

The descriptions of the innovative or flexible products the Bank offered during the period reviewed are provided below. The number and dollar amount of loans made under each program are provided where the data was readily available from the Bank. The Bank continues to use a majority of the innovative and flexible lending practices that were noted in the previous evaluation.

Residential Lending Programs

While not necessarily innovative, the Bank offered a variety of loan products which exhibited flexibility in underwriting criteria and application procedures. A sample of these residential mortgage programs is detailed below:

First Time Homebuyer Program (FTHB)

The Bank continues to offer a program for first-time homebuyers who may not otherwise be eligible for traditional home purchase loan products. The program allows flexible down payments and income qualifying ratios, in addition to reduced closing costs. For the evaluation period, the Bank originated 51 FTHB loans totaling approximately \$18 million.

Soft Second Loan Program

The Bank continues to participate in a “soft second” loan program in conjunction with the Massachusetts Housing Partnership (MHP). The program is designed to increase affordable housing opportunities for low- and moderate-income first-time homebuyers. The program combines a conventional first mortgage with a subsidized second mortgage. During the evaluation period, the Bank originated 42 loans totaling \$1.5 million under this program.

Senior Home Equity Line of Credit (SELOC)

This home equity line of credit program is designed exclusively for senior homeowners. This program was created by Homeowners Options for Massachusetts Elders (H.O.M.E.) to provide funds to elders who often do not qualify for traditional loans due to limited income and other financial constraints. During the evaluation period, the Bank originated 6 SELOCs totaling \$700,000.

Reverse Annuity Program

The Bank continues to participate in the H.O.M.E. Reverse Annuity Program which offers counseling on housing issues to low- and moderate-income elderly homeowners. As part of this program, the Bank offers a reverse mortgage product – a home-secured loan in which the borrower receives payments from the lender, but does not become obligated to repay those amounts (other than in the case of default) until the borrower dies, moves permanently from the home, transfers title to the home, or upon a specified maturity date. These loans are offered at reduced interest rates, with no points, low closing costs, and flexible underwriting terms. No loans were originated under this program during the evaluation period.

Special Loan Program

The Bank developed a special loan program in 1997 by which individuals, who may not qualify for a loan under normal guidelines due to financial hardship, can either refinance their mortgage loans or obtain a deferred equity loan (a five-year renewable demand note with principal and interest deferred until maturity). The loans available under this program help individuals to re-establish their credit and maintain their homes. Cambridge Savings Bank established a Special Loan Committee Fund that was subsidized with \$2,250,000. As loans are repaid, the fund is replenished to make loans available to other borrowers. Applicants must be referred to the Bank through community organizations or the Bank's Second Review Committee. This program is still active, but the Bank did not originate any loans during the evaluation period.

Cambridge Housing Authority Loan Program (CHALP)

The Bank established a partnership with the Cambridge Housing Authority (CHA) that allows tenants of public housing to purchase the units they are renting, as part of the Department of Housing and Urban Development's (HUD's) Turnkey Program. CHA established the program to assist the development and preservation of housing for low-income households in Cambridge. Cambridge Savings Bank continues to service 8 loans totaling \$2.6 million under this program. No new loans were originated under this program for the evaluation period.

Commercial Lending Program

Cambridge Savings Bank continues to be a participating SBA lender and offers the 7(a), LowDoc, and 504 programs. Within the evaluation period, the Bank originated 5 SBA loans totaling \$1.1 million. The parameters for each program are detailed as follows:

- The 7(a) program serves as the SBA's primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels. The funds provide start-up costs to small businesses. A bank funds the entire loan, with SBA guaranteeing between 75 percent and 90 percent, depending on the use of the loan proceeds. Loan proceeds can be used for most sound business purposes including working capital, machinery and equipment, furniture and fixtures, land and building (including purchase, renovation, and new construction), leasehold improvements, and debt refinancing (under special conditions). Loan maturity is up to 10 years for working capital and generally up to 25 years for fixed assets.
- The LowDoc program follows the same basic guidelines as the 7(a), but further streamlines the process and calls for a response from the SBA within 36 hours of receiving a completed application. The loans are 90 percent guaranteed by the SBA, which focuses on the character, credit, and business experience of the applicant, rather than availability of collateral.
- The 504 Program is predominantly used for the establishment of new businesses. Under this program, a bank provides 50 percent of the funding, while the SBA provides 40 percent. The borrower is required to contribute 10 percent in the initial construction phase.

Overall, the programs offered by the Bank demonstrate a commitment to helping provide sustainable homeownership options to low- and moderate-income borrowers, with emphasis on those residing within the Bank's assessment area. The Bank also exhibited a commitment to meeting the credit needs of small businesses by providing SBA loans.

INVESTMENT TEST

Cambridge Savings Bank's Investment Test performance is rated "Outstanding." The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the Investment Test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

The Bank made an excellent level of qualified investments, and donations especially when compared to the prior evaluation period. During the evaluation period, the Bank's qualified investments and donations totaled \$27.8 million. Cambridge Savings Bank's qualified investments are not markedly innovative or complex, but this is reasonable given the Bank's size and competition within the assessment area. Overall, the Bank demonstrated excellent responsiveness to the credit and community development needs of its assessment area.

Qualified bonds and equity investments totaled almost \$26.5 million, which represents 5.0 percent of the Bank's total investments as of March 31, 2011. These include two low-income housing tax credit investments (LIHTC) totaling \$2.8 million and three industrial revenue bonds (IRB) totaling \$19.2 million, as well as investments still held in the Bank's portfolio. Per the regulation, qualified investments considered in this evaluation include all those acquired or made since the previous CRA examination as well as those made in prior periods and still held by the institution.

Equity Investments

Current Period Investments

- The Bank purchased an \$8.1 million tax exempt bond issued by MassDevelopment in June of 2009. The proceeds of the bond were used to refinance an existing bond and provide financing for the construction of a group home by a health and human service agency. The group home provides housing for adults with developmental disabilities, the majority of which are low- and moderate-income.

- The Bank purchased a \$4.6 million secured tax exempt bond in October of 2009 to refinance two existing bonds held by a boarding school for troubled adolescents. The adolescents are referred to the school by the Department of Social Services, and the school is reimbursed the full cost of its programs by the Department. Many of the students are low- or moderate-income.
- In June of 2010, the Bank provided \$6.5 million in bond financing to a local community health center. The health center provides primary care and chronic disease management to low- and moderate-income individuals. The Bank invested in a 10 year, secured, tax exempt private placement bond for the construction and permanent financing for the development of a special care facility, a portion of the proceeds refinanced an existing bond.
- The Bank made a \$1.5 million investment in a low-income housing tax credit investment in October of 2010. The proceeds were used to renovate a vacant school building in the Bank's assessment area into 15 units of affordable housing.
- The Bank made a low-income housing tax credit investment of \$1.3 million in a Massachusetts Housing Equity Fund in April of 2010. The project will consist of 19 units of affordable housing in Cambridge.

Prior Period Investments

- The Bank holds two Fannie Mae (FNMA) mortgage investments with a current book value of approximately \$3 million. These investments are securitized by loans that benefited low- and moderate-income borrowers within the Bank's assessment area.
- The Bank is currently in the last year of a deposit with the New England Community Builder Program (NECBP) Fund. In 2006, Cambridge Savings Bank deposited \$1.5 million in the NECBP Fund sponsored by the Federal Home Loan Bank of Boston. This is a five year term deposit at a reduced interest rate. Participation in this Program enabled the Bank to apply for and draw down NECBP advances for eligible community development initiatives during the review period. The Program includes the Affordable Housing Program, Equity Builder Program, and the Community Development Advance (CDA) Program.

Grants and Donations

Cambridge Savings Bank provided an excellent number of grants and donations during the evaluation period. The majority of the Bank's donations were made through the Cambridge Savings Bank Charitable Foundation (Foundation.) The Foundation, founded in 2003, is a non-profit charitable foundation organized to facilitate the Bank's charitable giving with a focus on the improvement of social, educational and economic conditions of the communities in the Bank's assessment area.

During the evaluation period, the Foundation provided 166 qualified grants totaling \$1.2 million. An additional 29 qualified contributions totaling \$103,440 were made directly by the Bank. The qualified contributions made directly by the institution equate to 0.19 percent of the Bank's pre-tax net operating income. At 73.9 percent of the Bank's and Foundation's charitable contributions, a majority were for qualified community development purposes. Refer to Table 12 for further information regarding the qualified contributions.

Table 12 Donations August 18, 2007 through YTD 2011 Donation Distribution						
	2007 (Aug, 18- Dec, 31)	2008*	2009	2010	YTD 2011	Total
Cambridge Savings Bank	\$800	\$18,415	\$18,625	\$19,100	\$46,500	\$103,440
Cambridge Savings Bank Charitable Foundation	\$20,500	\$200,478	\$349,170	\$438,350	\$199,615	\$1,208,113
Total Donations	\$21,300	\$218,893	\$367,795	\$457,450	\$246,115	\$1,311,553
Pre-tax Net Operating Income (NOI) (\$000s)	\$10,826	\$16,469	\$18,892	\$22,530	\$5,058	\$55,502
Donations**/Pre-Tax NOI	0.01%	0.11%	0.10%	0.08%	.92%	.19%
# of Organization Benefiting from Donations	8	46	55	63	23	195

* In 2008, pre-tax operating income was used instead of the pre-tax net operating income because of realized loss from the sale of securitized investments which created a pre-tax net operating loss.

** Includes only donations made by the Bank, does not include those made by the Foundation.

The Bank provided several grants and donations to organizations that provide education and training, affordable housing, youth programs, and health and human services to lower income individuals and families within the assessment area. The Foundation has been successful in its mission to reinforce, encourage, and support the Bank's ongoing commitment to the well-being of the communities it serves.

The excellent level of contributions has been responsive to the needs of organizations that provide services for low- and moderate-income individuals, promote affordable homeownership, support small business or economic development, and revitalize low- and moderate-income areas.

Table 13 Community Development Grants & Donations												
Community Development Category	2007 (Aug 18- Dec, 31)		2008		2009		2010		2011 YTD		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing	0	0	10	65,345	10	143,000	12	108,000	5	57,500	37	373,845
Community Services	8	21,300	32	125,548	41	193,295	45	318,950	17	163,615	143	822,708
Promote Economic Development	0	0	0	0	3	21,500	1	10,000	0	0	4	31,500
Revitalization	0	0	4	28,000	1	10,000	5	20,500	1	25,000	11	83,500
Total	8	21,300	46	218,893	55	367,795	63	457,450	23	246,115	195	1,311,553

Table 13 displays the total number and dollar value of qualified donations and grants made by the Bank and the Foundation. Grants and donations were made to organizations such as Food for Free, Salvation Army, Somerville Homeless Shelter, East End House, Second Step, Share Our Strength, Cambridge Camp Association, and Solutions at Work.

As displayed in Table 13, during the evaluation period the Bank and the Foundation provided a total of \$1.3 million in donations. In 2010, there was a notable increase in the Bank's charitable giving. To commemorate the Bank's 175th anniversary, the Foundation donated \$175,000 to community based non-profit organizations within the assessment area. The highlight of this donation was a signature gift of \$100,000, split between four non-profit community organizations including the Salvation Army, Housing Corp of Arlington, Homeowner Rehab Inc., and Just-A-Start. In addition to the Signature Gifts, the Bank allowed the public to select a non-profit organization to receive a grand prize of \$20,000. The \$75,000 community gifts were distributed among affordable housing or community development services organizations such as: National Center on Family Homeless, Bedford Veterans Quarters, Cambridge Housing Assistance Fund, Lexington Housing Foundation, Caritas Communities, Concord Housing Foundation, Homeowners Options for Massachusetts Elders (HOME), and Watertown Community Housing.

SERVICE TEST

Cambridge Savings Bank's Service Test performance is rated "Outstanding." The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The Bank is doing a good job of meeting retail banking needs and an excellent job of meeting the community development service needs of the assessment area. The Bank's branches, all with 24-hour ATM locations, are located throughout the assessment area and are readily accessible and convenient to low- and moderate-income residents. Generally, the services and products offered are comparable to local or similarly sized institutions. However, the Bank initiated certain services and products during the review period that are tailored to the convenience and needs of low- and moderate-income individuals and geographies of its assessment area. The Bank is a leader in meeting community development service needs as several Bank officers are actively involved with local area community organizations. The following sections summarize the Bank's retail and community development services.

RETAIL BANKING SERVICES

An institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches in low- and

moderate-income geographies or the primarily serve low- and moderate-income individuals; 3) the availability and effectiveness of alternative systems for delivering retail Banking services; and 4) the ranges of services provided in low-, moderate-, middle-, and upper-income geographies.

The Bank's retail services are considered good, with certain services targeted to the needs of low- and moderate-income individuals and geographies. The Bank's services include various deposit, residential and commercial products. The Bank continues to offer the following products:

Basic Banking

The Bank offers a checking and savings account that meet the Basic Banking for Massachusetts guidelines. The basic banking program was developed to expand access to bank products and services and to encourage those with modest incomes to establish banking relationships.

Interest on Lawyers Trust Accounts

Cambridge Savings Bank offers "Interest on Lawyers Trust Accounts" (IOLTA) with no monthly maintenance or per check fees. Under an agreement with the Massachusetts Bar Association, interest paid on these accounts is used to provide legal assistance to indigent, low- and moderate-income individuals in need of legal services.

Free Checking

The Bank's Free Checking accounts have no monthly maintenance fees, no minimum balance requirements and no per check charges.

Accessibility of Delivery Systems

Cambridge Savings Bank's delivery systems are readily accessible to essentially all portions of its assessment area. The Bank is headquartered in Harvard Square at 1374 Massachusetts Avenue, Cambridge, Massachusetts, an upper-income census tract. The Bank's offices are located in upper-income (10), middle-income (5), and moderate-income (1) census tracts. The Bank maintains 16 full-service branch offices located in the towns of Acton, Arlington, Bedford, Belmont, Burlington, Cambridge, Concord, Lexington, Newton and Watertown. Branch hours are convenient and comparable to other institutions, and bank services are more than sufficient to meet the needs of the assessment area.

Alternative Retail Banking Services

In addition to the established branch network, Cambridge Savings Bank also provides a variety of alternative delivery systems. These alternatives allow consumers easier access to the Bank's various retail services. Walk-up or drive-up automated teller machines (ATMs) are available at all Cambridge Savings Bank locations. ATMs provide access to customer accounts 24 hours a day, 7 days a week. The Bank maintains additional ATM locations including five in Cambridge and one in Somerville. One is located in a low-income census tract, one in a moderate-income tract, one in a middle-income tract and three are located in upper-income tracts. In addition, the Bank is a

member of the SUM Program, which does not impose surcharges to customers of banks participating in this program. The Bank offers 24-hour automated telephone banking and internet banking is available at www.cambridgesavings.com.

Changes In Branch Locations

The Bank maintains policies detailing the procedures the Bank will follow before opening or closing a branch office. The Bank closed a limited service location since the previous evaluation. The Lexington-Minuteman Regional High School branch was closed in April of 2010. The Bedford branch was relocated in October of 2008 from 160 Great Road, Bedford, to 181 Great Road in Bedford. Both locations are in upper-income census tracts. The Bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems to low- and moderate-income individuals or geographies in the assessment area.

Reasonableness of Hours/Services

Overall, business hours do not vary in a way that inconveniences any portion of the assessment area, particularly for low- and moderate-income individuals. Branch hours are generally considered convenient and are comparable to other local financial institutions while providing some late evening and Saturday hours. ATM, telephone, and computer accessibility remain available 24-hours a day.

Additional Services

The Bank offers use of their facilities, at no-charge, to non-profit organizations involved in community development activities. Some of these organizations are: Cambridge Local First, Sustainable Business Leader Organization, Cambridge Housing Assistance Fund, Housing Corporation of Arlington, Arlington Entrepreneurs, Lexington Housing Partnership, Lexington Chamber of Commerce, City of Cambridge, Cambridge Economic Development Department, Cambridge Chamber of Commerce, Harvard Square Business Association and the Town of Lexington-Economic Development Office.

COMMUNITY DEVELOPMENT SERVICES

The Bank's community development services are evaluated pursuant to the following criteria: (1) the extent of community development services offered and used; (2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; (3) the degree to which they serve low- and moderate-income areas or individuals; and (4) their responsiveness to available opportunities for community development services.

The Bank is a leader in providing community development services. Cambridge Savings Bank's officers and staff have built strong relationships with community organizations. Bank personnel demonstrated their commitment to the assessment area

by volunteering their time and financial expertise to numerous community-oriented organizations and programs that provide community based services such as affordable housing opportunities to low- and moderate- income individuals and organizations that promote economic development opportunities for small businesses within the assessment area. The Bank participates in the following government and private sector programs that are of special interest or benefit to low- and moderate-income consumers:

Employee Services

Housing Corporation of Arlington

The Housing Corporation of Arlington provides and advocates for affordable housing for low- and moderate-income families and individuals in Arlington while promoting social and economic diversity. A Vice President of Cambridge Savings Bank is a member of the Board of Directors of this organization and also serves on the finance committee.

Cambridge Neighborhood Apartment Housing Services

The mission of this organization is to expand and preserve the supply and improve the quality of affordable housing available to low- and moderate- income residents with a primary focus on housing for families. An Executive Vice President is on the Board of Directors of this organization.

Food for Free Program

A member of the Bank's Board of Directors also serves on the Board of this organization. This agency delivers food monthly to low-income residents within the Bank's assessment area who are too sick or disabled to leave their homes and access food pantries on their own.

Cambridge Housing Assistance Fund (CHAF)

A Senior Vice President is a Board member of CHAF. The Cambridge Housing Assistance Fund is committed to breaking the cycle of homelessness. CHAF raises funds to assist the homeless and near homeless with the startup costs of securing permanent housing.

Lexington Housing Partnership

The Lexington Housing Partnership develops and modifies affordable housing. A Bank Assistant Vice President is a Board member of this organization.

Somerville Homeless Coalition

The mission of the Somerville Homeless Coalition is to provide homeless and near homeless individuals and families with individualized supportive services and tailored housing solutions with a goal of obtaining and maintaining affordable housing. A Senior Vice President and a Vice President of Cambridge Savings Bank are active members of the coalition.

Cambridge Family YMCA

A member of Cambridge Savings Bank's Board of Directors also serves on the Board of Cambridge Family YMCA. The mission of the YMCA is to inspire and enable all young people and their families, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible and caring citizens. The Cambridge Family YMCA serves approximately 700 children in Youth and Childcare Programs and provides housing for approximately 300 low-income adults annually.

Salvation Army of Cambridge/Somerville

The Salvation Army offers a variety of programs to assist those in need. Programs are open to people of all ages and are focused on building character, confidence, and capacity for excellence within underserved communities. Many of the program recipients are low- or moderate-income. A Bank Senior Vice President is a capital campaign member.

Newton Community Service Center

Newton Community Service Center (NCSC) is a multi-service agency that supports Newton, Waltham and surrounding communities. A Bank Vice President is a Director of this organization. Programs offered by the organization include: an early literacy program for parents, a teen reach program, and a parenting program for teens and young adults. In addition, the organization offers pre-school, day care and summer camps for families struggling to find quality affordable day care, education and recreation programs. The organization is a local resource for collaborative programs, including affordable housing initiatives, food drives and community forums. Many of the program recipients are low- or moderate-income individuals and/or families.

East End House

A Senior Vice President is Chair of the Board of the East End House. The goal of the organization is to serve families and individuals of all ages and create opportunities for those who have been traditionally denied access due to social and economic barriers. A majority of which are low- or moderate-income. Programming supports the whole family with comprehensive services like the Food Pantry, Community Workshops, Parent Education and Senior Programming.

Just- A- Start

Just-A-Start Corporation has been enabling working and retired families in Cambridge and surrounding Metro North communities to meet basic family needs. The organization provides services to homeowners and renters to help increase their quality of living; offers education and workforce training opportunities that enhance career prospects and earning power; and develops, rehabilitates and preserves affordable rental and ownership housing. Many of the program recipients are low- or moderate-income. A Bank Assistant Vice President is on the Board of this organization.

Educational Seminars and Other Services

The Bank has taken a leadership role in providing services and seminars to increase financial literacy throughout its assessment area. Through the development of the “CSBsmart Financial Literacy Program”, the Bank developed over 10 customized modules including Budgeting and Saving, Managing a Checking Account, Buying Your First Home, Credit Smarts, Fraud Smarts, Financial Fitness, Learning About Saving and Counting Money (for children). The Bank has focused outreach on underserved populations including new immigrants, low-income individuals, Welfare to Work participants, students, and the elderly. The CSBsmart Financial Literacy Program is staffed by over 25 Bank employees who are trained financial educators. The Bank addressed the needs of all segments of the population by providing classes in partnership with schools, non- profit organizations and government agencies.

Adult Financial Education

- Beginning in October of 2008, Cambridge Savings Bank participated in a six week seminar in conjunction with the Margaret Fuller Neighborhood House and the City of Cambridge Economic Development Department on a financial education seminar entitled “Making Your Money Work.” The Margaret Fuller Neighborhood House’s mission is to strengthen and empower youth, families and community residents by working to address the economic, social and political inequities that shape the lives and futures of one of the most densely populated areas in Cambridge. Also in conjunction with these two organizations, the Bank participated in a three week seminar beginning in April of 2009 titled “One on One Money Management.” Another seminar with these organizations began in September of 2009; this four week session was titled “You and Your Money.”
- Cambridge Savings Bank sponsored a First Time home Buyer Program at its Harvard Square Banking Center in May of 2009.
- In May of 2008, the Bank held a seminar on identity theft at the Bedford Senior Center. An additional seminar on fraud scams was held at this organization during the first quarter of 2009.
- In the fall of 2009, the Bank participated in a first-time home buyer program at North Shore Consortium.
- In conjunction with Fresh Pond Towers and the City of Cambridge Economic Development Department, the Bank participated in a three week seminar beginning in April of 2009 entitled “Making Your Money Work.”

- Cambridge Neighborhood Apartment Housing Services offers an Individual Development Accounts (IDA) program. IDAs are savings accounts that can be used only for purchasing a first home, capitalizing a small business, or for educational or job training expenses. The Bank taught financial education programs on budgeting and saving, managing a checking account, credit smarts and fraud smarts, and affordable banking to the program participants. These were held on June 22, 2010, June 29, 2010 and in April of 2011.
- At the Newton Community Service Center, a multi-service agency that offers educational programs and a network of support services, the Bank participated in a seminar on savings in March of 2010.
- In August of 2010, the Bank taught a financial education seminar at Cambridge Neighborhood Apartment Housing Services on budgeting and savings, as well improving your credit.
- The Bank participated in the Middlesex Sheriff's Association presentation to Burlington seniors in May of 2010 on identity theft, fraud and scams.
- The Hildebrand Family Self Help Center, located in Cambridge, works to break the cycle of homelessness by helping families to attain and retain their independence, dignity and self-sufficiency. Between March and April of 2011, the Bank taught four one-day seminars focused on budgeting and savings, managing a checking account, credit smarts and fraud smarts in partnership with this organization.
- Bank staff taught seminars on budgeting, savings, managing a checking account and credit smarts to participants in the "Transitional Living Program" at Cambridge Family and Children's Services in January and February of 2011. The Transitional Living Program is a voluntary, 12- to 18-month program that provides supportive housing, life skills training and support services to young people, ages 18 to 21, who are homeless or transitioning out of foster care.
- In January and March of 2011, the Bank taught seminars on budgeting, savings, managing a checking account, and credit and fraud scams at the Mystic Learning Center in Somerville. The philosophy of the Mystic Learning Center is based on serving the needs of low-income children and families who live in the Mystic Public Housing Development.

Youth Education Programs

- In September of 2007 and June of 2010 the Bank provided a comprehensive financial education program for students majoring in Retail Marketing and Banking at a high school in Lexington.
- In November and December of 2010, in conjunction with the City of Cambridge Kids' Council, the Bank conducted seminars on topics such as financial definitions, money management, banking and savings.

- The Bank taught classes on budgeting and savings, managing a checking account, and credit and fraud smarts. Four courses were held at Belmont High School in January of 2011.
- The Bank taught financial education classes at two elementary schools in Arlington. These events were held in October of 2007, October of 2008, and October of 2009.
- The Bank participated in the “Teach Children to Save Program.” The program partners banks with students for lessons on the importance of saving. The program's goal is to encourage bankers to reach five million students before the end of 2011. During April of 2011, the Bank participated in the Program at four schools in Arlington, Bedford, Belmont and Cambridge.
- The Bank began a financial education initiative in November of 2010. Bank staff spent four days at local high schools teaching classes on budgeting, savings, managing a checking account and credit and fraud smarts. These were held at high schools in Newton, Lexington, Burlington and Somerville.
- In September of 2010, the Bank participated in the Woburn Boys and Girls Club’s Money Matters Family Night. The Bank taught a seminar on savings.
- The Bank participated in the City of Cambridge Mayor’s Summer Youth Employment Program. The Bank taught four sessions in July and August of 2011 to youths on budgeting and savings, managing a checking account, and credit and fraud scams.

Small Business Seminars

- In October of 2008, in conjunction with the City of Cambridge Economic Development Department, the Bank presented “Seeking A Loan For Your Start-Up or Existing Business” at a workshop on small business financing.
- In November of 2008, representatives of Cambridge Savings Bank presented commercial lending and current trends for small business and start-ups in conjunction with the City of Cambridge Economic Development Department.
- On September 10, 2009, the Bank participated in a small business forum held in Auburndale with a company that specializes in corporate revitalization. The Bank’s current small business customers and prospective customers were invited to the session as well as businesses from the Entrepreneurs Organization of Boston. The seminar included an Economic Overview and Preparing Your Workplace for Widespread H1N1. Two additional seminars in conjunction with the same organization were held at this venue in March of 2009 and March of 2010. Topics included an Economic Overview, Employee Relations, Managing Uncertainty in Tough Economic Times, Proactive Leadership and Business Basics

APPENDIX A

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. Within the Bank's loan and compliance policies, fair lending and fair housing are adequately addressed. Comprehensive Fair Lending Training is provided to the Bank's staff and Board of Directors on an annual basis. The Bank has a comprehensive a second review process in place to ensure compliance with fair lending laws. In addition, the Bank conducts comparative file analysis.

Among the institutions staff are individuals who are bilingual in Arabic, Armenian, Azerbaijan, Cambodian, Chinese, Creole, Ethiopian, French, German, Greek, Italian, eight dialects of Indian, Polish, Portuguese, Punjabi, Russian, Spanish, Swahili, Turkish and an individual able to assist the hearing impaired.

Minority Application Flow

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. During this period, 21 applications, or 17.8 percent of total applications were received from racial and ethnic minorities of which 12 or 57.1 percent were originated.

MINORITY APPLICATION FLOW								
RACE	2009 Bank Data		2009 Aggregate Data		2010 Bank Data		Bank TOTAL	
	#	#	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	3	0.3	71	0.1	0	0.0	3	0.0
<i>Asian</i>	77	8.7	5,396	9.4	49	5.9	126	0.8
<i>Black/ African American</i>	14	1.6	501	0.9	6	0.7	20	10.2
<i>Hawaiian/Pac Isl.</i>	2	2.3	52	0.1	3	0.4	5	0.0
<i>2 or more Minority</i>	0	0.0	25	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	31	3.5	1,061	1.8	26	3.2	57	0.8
Total Minority	127	14.4	7,106	12.3	84	10.2	211	11.8
<i>White</i>	551	62.5	35,443	61.5	554	67.3	1,105	87.3
<i>Race Not Available</i>	204	23.1	15,123	26.2	185	22.5	389	0.8
Total	882	100.0	57,672	100.0	823	100.0	118	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	12	1.4	699	1.2	8	1.0	7	5.9
<i>Not Hispanic or Latino</i>	663	75.2	41,252	71.5	619	75.2	109	92.4
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	10	1.1	456	0.8	12	1.4	1	0.8
<i>Ethnicity Not Available</i>	197	22.3	15,265	26.5	184	22.4	1	0.8
Total	882	100.0	57,672	100.0	823	100.0	118	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

According to the 2000 Census data, the Bank's assessment area contained a total population of 703,603 individuals, of whom 18.8 percent are minorities. The assessment area's minority and ethnic population is 4.2 percent African American, 7.7 percent Asian/Pacific Island, 0.1 percent American Indian, 4.3 percent Hispanic or Latino and 2.5 percent other.

The Bank's minority application flow, when compared to aggregate lending performance levels and assessment area demographics, is deemed to be adequate.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX C

INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX D

STANDARD PE LANGUAGE

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Innovative and Flexible Lending Practices:

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 1374 Massachusetts Avenue, Cambridge, MA 02138."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.